

\$Mart News

Volume 1, Edition 1

January 2000

Welcome to the premier edition of "\$Mart News,"

a quarterly newsletter encompassing the State of California's, Department of General Service's, award-winning *State Financial Marketplace*.

Comprised of "**GS \$Mart**" and "**Lease \$Mart**," the State Financial Marketplace offers state agencies, local governments and even school districts an alternative to the cumbersome rules and time spent selecting a financing program and a Lender or Lessor for their procurement needs.

The purpose of this quarterly newsletter is to introduce new customers to the State Financial Marketplace, update current customers and Lenders and Lessors on the latest happenings, and act as a public forum for questions and answers. We welcome your comments, thoughts, ideas, concerns and suggestions. \$\$

Patrick Mullen
GS \$Mart Manager
(916) 327-2600

Dahlynn J. Shiflet
Lease \$Mart Manager
(916) 322-1198

The State Financial Marketplace is found at
www.pd.dgs.ca.gov

INSIDE THIS ISSUE

- 1 \$how Me the Money!
- 2 Dollars and \$ense
- 2 New\$ You Can Use
- 3 Did You Know...And What They're \$aying?
- 3 \$Mart Calendar of Events
- 4 Salvage \$Mart
- 4 Contact the \$Mart Managers

\$how Me the Money!

Saving Time, and Taxpayer's Dollars, through GS \$Mart

Patrick Mullen
GS \$Mart Manager

Your agency can't afford to pay for the desired assets outright? Need to stretch those budget dollars? The purchase order must go out today and your agency is strapped for cash? Look no farther -- help has arrived, courtesy of **GS \$Mart**!

Established in 1996, the GS \$Mart (pronounced "G-S-Smart") program provides fast money at competitively-driven, tax-exempt interest rates.

Q - What does "tax-exempt" mean?

A - The interest accrued on installment purchases by the Lender is tax-exempt. Thus, the Lender passes along lower interest rates to the customer in exchange for not having to pay federal or state income tax on the interest collected. Tax-exempt rates average around 5%-6% compared with commercial rates of 8%-9%.

The best way to describe the premise of the GS \$Mart program is to equate it to purchasing a vehicle. You can't resist that brand new 4x4 truck sitting on the lot at the car dealership, but it costs much more than you can afford. So, you head to your bank and take out an auto loan. The bank then pays the dealership for the truck and you're sitting pretty in your new 4x4. From that point, you make monthly payments to the bank for the vehicle, with interest, of course.

That's how GS \$Mart works; if your agency's budget can't afford to pay for the desired asset outright, then GS \$Mart can help you obtain what you need, within the parameters of your budget.

Wow, that sounds too easy!

Continued on page 3

Dollars and \$ense

Updates for \$Mart Lenders and Lessors

GS \$Mart – Attention Lenders

All Lender responses to the *Rate Quote Form* must contain the amortization schedule and special provisions page, formatted as shown on the Web site.

All Lender responses to the *Rate Quote Form* will be honored for 30-days from the date of the quote.

All Lenders will be required to re-qualify for the GS \$Mart program by June 15, 2000. Check out the “Lenders Qualifications” page on the Web to ascertain what will be required and to plan your submission. Those who do not complete this process by the deadline will be dropped from the program.

Technology Rider – On hold until State legal issues can be resolved.

Salvage Rider – See article on page 4.

Two new Lenders have joined GS \$Mart:

- \$ KeyCorp Leasing
- \$ Wells Fargo Public Finance

Lease \$Mart – Attention Lessors

All Lessor responses to the *Request for Lease Quote* form will be honored for 60-days from the date of the quote.

Confusion exists between the term for a lease verses a rental; any term less than one year is considered a rental, and thus, does not qualify under the Lease \$Mart program.

Scenarios are being developed for:

- \$ Telcom Equipment
- \$ Video Conferencing Equipment
- \$ Copy Machines

All Lessors who participate in the above scenarios will be required to post weekly lease factors.

\$\$



New\$ You Can Use

Updates for Customers of the \$Mart Programs

Read the article to the left, “Dollars and \$ense” – this information is just as important to you, as a customer, as it is to the Lenders and Lessors. If you encounter a Lender or Lessor not adhering to any of these routine requirements, contact the appropriate \$Mart Manager immediately.

Both \$Mart Managers are happy to help you with your *Rate Quote Form* and issuing your financing quotes. But keep in mind, neither \$Mart Manager can make the final determination on the selection of a Lender or Lessor; they can only make recommendations.

An *Opinion of Counsel* is necessary to fund a financing transaction, and the \$Mart Manager is responsible for securing this document. If you know you have a transaction that needs to be funded, please forward all purchase orders, ancillary documents including equipment bid information, to the appropriate \$Mart Manager immediately. An Opinion cannot be executed without copies of all final documents, including all amendments.

Torn between financing and leasing? Need advice? Contact either \$Mart Manager for creative financing advice structured to fit your agency’s budget, timeframe, equipment needs and delivery schedule.

\$\$

DID YOU KNOW...

...that an incredible \$300 million in financing transactions have been shepherded through the GS \$Mart program since its inception in 1996...

...and of that \$300 million, the program has saved government agencies over \$20.25 million in interest charges...

...and the savings per financing transaction averaged \$108,000...

...and that GS \$Mart, the only E-commerce program of its kind in the nation, has been honored by industry and government leaders with four national awards...

...and usage of the GS \$Mart program by local governments, such as cities, counties, school districts, university systems and special districts, has increased nearly tenfold over the last year?

...AND WHAT THEY'RE SAYING

"The GS \$Mart program has allowed us to better service OFA clients by expanding our buying dollars and using our budget more effectively. I highly recommend this program to any agency interested in saving time and money."

Timothy Bow, Chief
Office of Fleet Administration
Department of General Services

"We recently used the GS \$Mart Salvage Rider for a statewide workstation replacement project, and we saved hundreds of thousands of dollars over the way we typically procured this equipment in the past. We are very pleased with the results and wouldn't hesitate to use this program again."

Jim Rhoads, Chief
Business Services Bureau
Department of Social Services

\$MART CALENDAR OF EVENTS

GOVERNMENT TECHNOLOGY CONFERENCE (GTC)

PLACE SACRAMENTO CONVENTION CENTER

DATE MAY 15-19, 2000

\$MART ROUNDTABLE MEETING - GTC

PLACE TBA – WILL OCCUR IN CONJUNCTION WITH GTC

DATE TBA

Forum the same as other Roundtable functions. Watch for more information on the \$Mart's Web site.

\$HOW ME THE MONEY!

Continued from page 1

That's right, it is easy. And this is the most frequent comment we receive from customers. As the only governmental E-commerce program of its kind in the nation, GS \$Mart has done practically all of the required pre-financing selection work for you.

Q – "E-commerce"- what's that?

A – Slang for "electronic commerce," this new term refers to business which is conducted over, through, and by way of, the Internet.

Lenders have been pre-qualified to conduct business with the State and have agreed to preset terms and conditions which are found on the Web. Lenders post their rates on the site weekly, thus driving the competition and ultimately benefiting the customer. Attaching the financing to a purchase order and executing the closing documents takes hardly any time at all. It's that simple.

What's the alternative?

Actually, GS \$Mart is the alternative to the cumbersome days of coupling financing quotes with equipment costs in the archaic bid process. When a formal bid was released, bidders were asked to submit quotes for financing. Not knowing when the bid would be awarded, Lenders often hedged interest rates upward to protect themselves from potential market fluctuations. Nine times out of ten, GS \$Mart can obtain quotes in less than a day, thus taking advantage of current market rates and saving taxpayers, and your budget, the extra "hedge" cost.

Where do I learn more!

Too good to be true? Don't believe me? Check out the information for yourself! Log onto **www.pd.dgs.ca.gov**, select "GS \$Mart" and complete a *Rate Quote Form*. Forward the completed form to me and I'll get the quotes on your behalf. Then I'll show you the money, the money you'll save by using the GS \$Mart program! **\$\$**

Have a question for the State Financial Marketplace? Contact a \$Mart Manager and they'll be happy to answer it for you:

GS \$Mart: patrick.mullen@dgs.ca.gov
Lease \$Mart: dahlynn.shiflet@dgs.ca.gov

Salvage \$Mart

Introducing the Tax-Exempt Operating Lease Rider

Dahlynn J. Shiflet
Lease \$Mart Manager

The State Financial Marketplace is proud to announce the creation of another cost- and time-saving financing option for State of California agencies and local governments -- the GS \$Mart Salvage Rider -- an operating lease program which offers tax-exempt interest rates!

The GS \$Mart Salvage Rider differs from the Lease \$Mart program in three important ways. First, upon acceptance, title to the assets passes to the customer, whereas in Lease \$Mart title does not pass. Second, lease factors quoted in Lease \$Mart are based on commercial rates (8%-9%, plus other leasing costs which can raise a typical lease factor to 12%-13%) opposed to GS \$Mart's tax-exempt rates (as of this writing, rates are at 5%-6%). And third, the disposal of equipment is negotiated at the beginning of the term, opposed to the end of the term. Considering the rapid obsolescence of information technology equipment, the GS \$Mart Salvage Rider alleviates the burden of salvaging the equipment and, in a way, doubles as a "forced refresh" to newer technology. For these reasons, the GS \$Mart Salvage Rider is a valued option to consider if your agency is absolutely sure that the equipment must be completely removed at the end of the term.

The GS \$Mart Salvage Rider requires a "Salvage Company," chosen through a competitive bidding process conducted by the customer-selected GS \$Mart Lender, to pay to the Lender the "Salvage Price" of the equipment desired by the customer prior to the contract term commencing.

Q – "Salvage Price" – what's that?

A - The Salvage Price is the estimated fair market value (FMV) of the equipment at the end of the contract term, as determined and quoted by the Salvage Company in their bid to the Lender. It's a guessing game for the Salvage Company, and can be a risky game, too, if the estimated FMV isn't determined correctly.

The Salvage Price is then subtracted from the total equipment cost being financed, with the Lender financing the remaining portion, akin to a typical GS \$Mart Alpha Plan transaction.

For example, let's say the total cost of the equipment is \$100,000. The Salvage Price is determined to be 7%, or \$7,000, leaving \$93,000 left to be financed by the Lender. Thus, the customer is only paying interest on the \$93,000. In reality, the Lender, on behalf of the customer, has "sold" the value of the equipment to the Salvage Company for \$7000 at the beginning of the term and applies that amount as a down payment to the loan, thus exhausting the customer of any disposal issues on the back end of the term.

Under the GS \$Mart Salvage Rider, title to the equipment passes to the State upon acceptance, then at the end of the contract term, title to the equipment, and the physical equipment itself, passes immediately to the Salvage Company. Developed with the assistance of the State Financial Marketplace's bond counsel, Orrick, Herrington & Sutcliffe LLP, the GS \$Mart Salvage Rider has been successfully utilized on several deals.

For more information about the GS \$Mart Salvage Rider, check out the document on the State Financial Marketplace's Web site or contact a \$Mart Manager. \$\$

How to Reach Us:

**State of California
Department of General Services
Procurement Division
State Financial Marketplace
1823 14th Street
Sacramento, CA 95814
(916) 327-5079 FAX**

**Patrick Mullen – GS \$Mart Manager
patrick.mullen@dgs.ca.gov
(916) 327-2600**

**Dahlynn J. Shiflet – Lease \$Mart Manager
dahlynn.shiflet@dgs.ca.gov
(916) 322-1198**